

JUSTIFICATION SHEET

FINAL

DEPARTMENT: Labor and Industrial Relations

TITLE: A BILL FOR AN ACT RELATING TO THE SPECIAL FUND FOR DISABILITY BENEFITS.

PURPOSE: To amend the purpose of the special fund to allow for the use of currently available funds for automation purposes, and to appropriate \$5 million dollars from the special fund for disability benefits for automation of the Disability Compensation Division (DCD), which includes the Workers' Compensation, Prepaid Health, and Temporary Disability Insurance programs. Automation would increase efficiency and entail providing employers, carriers, employees, and doctors the ability to submit their required forms via internet.

MEANS: Amend section 392-61, Hawaii Revised Statutes.

JUSTIFICATION: Employers paid a one time assessment in 1969 into the fund and the expenses average \$60,000 dollars a year. The revenue to this account is mainly from interest payments which is around \$156,000 a year. The current balance is above \$8.2 million. Authorizing \$5 million for the automation project would leave a sufficient balance to keep the fund operating without assessing another levy.

The State Auditor has expressed concern about having an unneeded surplus in this account. This offers the opportunity of using funds to automate DCD which would directly improve the department's services, while lowering business costs.

These funds were paid by businesses and it is prudent we use these funds to their benefit.

Impact on the public: Automating DCD would make the processing of workers' compensation

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and TDI claims more efficient and cost effective.

Impact on the department and other agencies: Future cost savings generated from more efficient and timely submittal of information and paperwork will be seen by Department of Labor and Industrial Relations, Department of Human Resource Development, University of Hawaii and Department of Education.

GENERAL FUND: None.

OTHER FUNDS: \$5,000,000 Appropriation from Special Fund for Disability Benefits.

PPBS PROGRAM
DESIGNATION: LBR-183

OTHER AFFECTED
AGENCIES: None.

EFFECTIVE DATE: July 1, 2005.